

**Testimony of Bernard Dietz, Baltimore, Md.
Before the FCA Public Meeting on
Scope and Eligibility
June 20, 2003**

FARM CREDIT-----THE MISSION

Like myself, most Americans are apt to be naive and trusting regarding mission statements from governmental agencies. Words that reassure us because we want to believe that our leaders are smarter and wiser, and know what is good for us. And fortunately, most of the time they are, and we benefit from that sincere leadership and direction. Problem is though, mission statements of new agencies are often born of urgent necessity, but soon become dated and out of touch with the ever-changing volatile realities which gave cause and reason for them to be created.

The mission statement of the FCA seems to be in that category. It was formulated to deal with the farm crisis in 1971, and it was at that time a needed endeavor. It recognized the American farmer in crisis and floundering; the victim of greedy conventional banking. But today in 2003, the FCA does little to cope with the evolution of small farm financing needed to reverse the land grabbing for development of new housing, new businesses, new shopping malls, and even new cities.

The rural properties of America are being sucked up by realtors and developers eager to change the pristine landscape with the help of greedy mortgage bankers. Lenders who will loan money based on appraisals that chop the small farm into residential sized parcels, thereafter assimilated by zoning savvy real estate operators. Many major banks won't even consider a loan for a property defined "agricultural", unless it is appraised as a residence with ten acres or less. This might be followed by a survey that defines the real estate metamorphosis. Even Farm Credit Banks help out with loan application descriptions announced as "part-time" farms, and spin the loan off to another special department or banking associate to make it fit the "almost" residential/farm mold. The onerous small farm application gets a gentle push from the FCA arena to the "country mortgage" free for all.

My own on-going experience with an attempted purchase of a small farm quickly became a hernia of frustration. I went to the Maryland eastern shore, located a property, secured a contract with \$15,000 down to the "for sale by owner", who put the money into his personal bank account. It was a great buy at \$275,000, AS IS with two homes, two chicken houses, a barn and a huge equipment building. And the plat was over 100 acres. To make the attempted loan easier, I took on a co-applicant who was an experienced chicken grower, rated #1 by Mountaire for the quality of the birds he raised for his mother and father in Delaware. He was Billy Yost, a garrulous one lung dynamo, who solved problems with original innovation, creative short cuts, and hard work. I was retired with a background in electronic sensors and controls, and he was handicapped, with both of us receiving Social Security. We could put up \$42,000 down, with more than enough for settlement and other costs. My credit was rated at 810 and his was over 700. Neither of us had any debts, and both of us owned property clear of mortgages. Together we could show nearly \$500,000 in assets. We thought it would be easy.

But the bad news never let up. Day by day, application after conventional application, on and off the Internet, local or national banks, it became obvious that trying to get a small farm loan today is a nightmare. We were stonewalled everywhere with the same old reply, "We don't do

farm loans", or "If you can get an appraisal for the house and ten acres we can make it work", or "You need more money down", or "We need to show more income for your debt ratio" or "Try to get the plat surveyed and divided". At one point in desperation I contacted the local radio station WCBM, which was advertising loans at 4.7% with 10 percent down.

The guy who contacted me told me he was the loan officer and that we could make it work with a special appraisal and a little more down. He said that it would go as a vacation property, because it was near the ocean. He was a macho dude, who despised Bill Clinton, Paul Sarbanes and Barbara Mikulski equally. After he told me that George Bush was going to kick the crap out of Saddam Hussein, he inquired as to who was going to live in the house. At which point I decided to play the gay rights card and told him that Billy Yost and myself would both live there, and asked him if that was a problem. "Oh no, that's OK", he responded cautiously. It was a ploy but it didn't work, and things only got worse. A few denied applications later, I was told by a friend to go seek out one of the approved FCA banks, so I applied online. It was near the end of May 2003. I was uneasy, the contract of sale that I held was deadlined for August 3, 2003, and the down payment was non-refundable.

After finding the location on the Internet I made some preliminary calls to the Mid Atlantic Farm Credit and everything came up rosy. After a few days I sent the contract and other info to their office. Days later, I was told that the documents had been forwarded to the Berlin, Maryland office and that I should contact them. I talked to the loan officer there and sent some more documents that were requested. Eventually I made some more calls and was told that the loan had been transferred to their "country mortgage" branch because the property was not able to be financed as a farm.

"It will need to be handled as a part-time farm at the Salisbury office", I was told. Meanwhile, I sent my co-applicant Billy Yost to the Berlin office of Mid Atlantic to sniff out the chicken-raising loan popularized by the Tyson & Perdue corporations, and arranged by Mid Atlantic. The offer that came back was a loan for approximately \$350,000 at 6.9% for 12 years whereby the profits would pay off the loan. We would own the land after the 12 years of raising chickens, with little to show except the deed. Billy and I appraised the generous offer, and declined. We would purchase the place through the Mid Atlantic "country mortgage" division.

Or so we thought.

After another ten days of inquiry and document delivery to the "country mortgage", things slowed down and at this point Billy and I felt that we needed to do an appraisal to speed things up. So we sent a check for \$375, which is the amount the bank said was needed to get the thing going. But no appraisal took place, and the check was eventually returned with a denied loan application enclosed, and a note that the whole thing was going back to the Berlin office. I guess at this point we are supposed to do the 12-year "bonanza" loan.

To add insult to injury, hearsay information from the eastern shore from persons close to the seller, report that the realtor who had listed the property in 2002 had returned to the seller with another offer better than ours, and that they would be able to settle on the day after we default - August 4, 2003. With the new buyer being the brother of the realtor.

Is there any chance that the loan officers who know the seller and the property, also know the realtor? And if so, did it affect the loan application?

At this point my options are limited. I can cash out my present home for \$126,000 with 1st Union, sell two of my rental properties for \$77,000 and \$90,000, fold up my stocks for \$26,000 plus the \$15,000 I put down, and make the deal work. Or find out how to get a farm loan.